

Chairman Michael G. Oxley
Committee on Financial Services
H.R. 3210, The Terrorism Risk Protection Act

November 29, 2001

On September 11, the Al Qaeda network began a war of terrorism against our nation. The insidious attack was planned not only to kill Americans, but to disrupt our nation's financial center. The September 11 attack caused greater insured losses than most of the recent top disasters combined. And unfortunately, since that attack, the foreign reinsurance market has refused to provide further coverage for terrorism.

Without reinsurance for terrorism, primary insurers are not able to responsibly insure high-level risks. In fact, they have been filing new policy forms to exclude terrorism coverage in almost every State. Without insurance, many creditors will not lend for new projects, and many new business projects and buildings will simply never happen. We cannot afford this significant economic disruption at a time of economic sluggishness.

I am confident that the private insurance sector will eventually adapt to the challenges of the new world. But 70% of commercial insurance policies will be renewed over the next 35 days. And if this Congress doesn't pass legislation, many of those policies will not be renewed and our economy will be further injured. This is exactly the result that the terrorists were hoping for. And this is why it is absolutely imperative that the House act today to pass this bill.

We crafted legislation in our Committee to address this problem. H.R. 3210 creates a temporary risk-spreading program which creates the strongest incentives for consumers to be able to obtain coverage, with significant solvency protections to maintain a stable market. We created certainty in terrorist exposure for companies, by spreading any terrorism risks across the industry with temporary federal assistance. But the role of the federal government is limited to a helping hand-up, not a hand-out. Any assistance provided must be repaid by the industry over time.

We also based our bill on systems being used successfully in almost every single state today – the state insurance guarantee funds. These programs provide immediate liquidity up-front to ensure that policyholders are paid, and then the costs are collected back from the industry as a whole. It's simple, it works, and we have the programs in place today we can build on.

This is not the approach favored by many in the industry that want free taxpayer money. But it's an approach supported by consumer and taxpayer groups as diverse as the Consumer Federation of America, Americans for Tax Reform, and Citizens Against Government Waste. And it is critical for the House to pass this legislation

today to make a clear statement that we are going to protect the economy, and we are going to do it in a way that will not put the American taxpayers on the hook or require future tax increases.

We need to get this legislation done today. Time is running out. We passed H.R. 3210 out of Committee with 35 bipartisan cosponsors on a nearly unanimous voice vote. Since then, the only significant changes our Committee has made were in response to our good faith commitment to continue working to address members' concerns – primarily to speed up the assessments and create more flexibility for rural areas and small towns.

The text made in order by the rule includes additional liability reforms placing limitations on punitive damages and trial lawyer fees for terrorist events. We have been working with members' staffs in both parties, and will continue to make improvements to the insurance provisions. But the minority is being given two opportunities to amend the bill, and once the House works its will, we cannot allow a disagreement on lawyers' fees to sabotage what would otherwise be a bipartisan bill that is critical to the economy.

I support limits on legal fees and other liability reforms to ensure that a future terrorism attack doesn't create a rush to the court house. I supported more limited reforms in the Financial Services Committee. I will back the bill with or without the strengthened provisions. But we can't let the fight over the trial lawyers undermine our critical responsibility to hold together our nation's financial foundations. This bill is critical, and it must be sent to the President this year.

H.R. 3210 is pro-consumer, pro-taxpayer, and pro-business. Regardless of whether members choose to side with the trial lawyers or for the liability reforms, we cannot let the terrorists win by disrupting our economy because we failed to do our job in passing this legislation.

I must point out Mr. Baker's contributions to this bill, which reflect many of his ideas and much of his energy, as well. Mr. Bachus, Mr. Bentsen, and many others on the Financial Services Committee also deserve thanks for a great job on this bill. Chris Shays, Earl Pomeroy, Vito Fossella, and Felix Grucci were early and enthusiastic supporters of our common-sense, pay-back-the-taxpayer approach.

Today is a time to put egos aside and to forget partisan blustering and special interest politics. It's time to help those Americans who are working to create jobs---the guy who's trying to buy a business, expand a manufacturing plant, or construct a new building.

The 9/11 attack is over, but the economic terrorism goes on and on unless we act. I strongly urge your support for this legislation.

Statement on the Rule
Chairman Mike Oxley
Committee on Financial Services
H.R. 3210, The Terrorism Risk Protection Act

November 29, 2001

I would like to thank Mr. Sessions and the rest of the Committee on Rules for crafting a good rule, one that allows my friend Mr. LaFalce, the ranking member of the Financial Services Committee, to offer his substitute amendment for consideration by the House and allows our Democratic colleagues a motion to recommit. This allows the minority party two bites at the apple, which is certainly more generous and fair than Republicans often received when we were in the minority.

In addition to the incalculable loss of human resources, the attacks of 9-11 inflicted possibly the largest losses ever incurred by insurers and reinsurers from a single set of events. For the most part, these losses are being borne by the commercial property and casualty industry. While the commercial insurance industry has said it is capable of paying claims related to September 11, any future incident of like size could threaten the stability of the commercial property and casualty market.

This concern, coupled with the industry's difficulty in pricing the risk of a jihad, has led many commercial insurers and reinsurers to begin excluding terrorism coverage entirely or offering only very limited coverage at very high costs. If this continues, and all indications are that it will, many businesses will be left with little or no coverage for terrorism at precisely the time of greatest demand. This lack of coverage threatens the growth and stability of our nation's economy.

That is why I come before you today in strong support of H.R. 3210, the Terrorism Risk Protection Act. H.R. 3210 will create a temporary industry risk-spreading program to ensure the continued availability of commercial property and casualty insurance and reinsurance for terrorism.

I introduced this legislation with my good friend from Louisiana, Richard Baker. It provides a federal backstop for the commercial insurance industry, not a bailout, by insisting that every dollar of American taxpayer assistance be repaid. A strong insurance industry benefits the entire nation. But ultimately, the primary beneficiaries of any Federal subsidies are the commercial insurers and the insured parties. These are the entities that should bear the brunt of the costs.

H.R. 3210 strikes the right balance between offering the insurance industry short-term assistance in a time of need while protecting the taxpayer and the consumer.

I urge my colleagues to support this fair rule and support the bill. I yield back.

###